

North Dallas Tornado Financial Considerations

November 6, 2019

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Overview

- City's risk and insurance profile
- Uninsured losses and expenses
- Accounting changes
- Spending authority
- Risk and Emergency Reserves
- Emergency procurements
- Emergency mutual aid agreements
- Helping affected property owners
- State disaster exception
- Proposed City Council action
- Next steps
- How to help

City's Risk and Insurance Profile

- Property insurance policy
- \$1B blanket limit per event
- \$750,000 deductible
- Insured at replacement cost
- Covers expenses for buildings, building contents, security, and debris removal from property boundaries

Location	Estimated Loss
Fire Station #41	Complete Loss
Walnut Hill Recreation Center	Major Damage
Fire Station #35	Major Damage
Park Forest Library	Minor Damage
Forest Green Library	Minor Damage
Preston Royal Library	Minor Damage

Total estimated loss: \$14.6M

NOTE: Preliminary estimates subject to change

FEMA

- City may be eligible to receive federal/state reimbursement of up to 75% of eligible uninsured costs
 - \$38.5M trigger
 - All public entity uninsured losses for the event count toward the trigger
- After FEMA finalizes the damage assessment, the governor may recommend a Presidential Disaster Declaration (through FEMA), which the president must approve for funding to be available

Uninsured Losses and Expenses

- Traffic signal and signage repair/replacement*
- Debris removal and monitoring contracts
- Labor (straight time**, overtime, comp time)
- Insurance deductible
- Equipment
- Contracted services
- Material expenses
- Leased equipment

*Largest uninsured City loss at about \$30M

**FEMA will not reimburse straight time labor for budgeted employees

NOTE: Preliminary estimates subject to change

Accounting Changes

- Departments are incurring expenses related to the tornado from departmental operating budgets
- Separate accounting is needed to:
 - Capture costs of insured and non-insured expenses
 - File claims for expenses covered by insurance
 - Seek reimbursement from federal and state agencies
- The City Controller's Office (CCO) created accounting codes in the financial and payroll systems to capture the cost of the tornado damage and response
 - CCO is providing accounting and finance assistance to City departments

Spending Authority

- City Council authorization is required to establish appropriations (budget) for spending
- Based on short- and long-term estimates, spending is expected to be approximately \$60M
- Insured spending
 - Facility repair/replacement: \$14.6M
 - \$750,000 deductible from Risk Reserve
- Uninsured spending
 - Estimated total: \$45.4M
 - Up to 75% federal/state reimbursement (\$34M)
 - At least 25% from Emergency Reserve (\$11.4M)

NOTE: Preliminary estimates subject to change

FMPC: Risk Reserve

- The Risk Reserve shall be maintained at a level, which, together with purchased insurance policies, adequately protects the City's assets against loss
- FY 2019-20 Risk Reserve is \$1.25M

FMPC: Emergency Reserve

- The Emergency Reserve, a component of unassigned fund balance, shall be used to provide for temporary financing of unanticipated or unforeseen extraordinary needs of an emergency nature
- Funds shall be allocated from the Emergency Reserve only after an analysis has been prepared by the City Manager and presented to City Council
- Prior to allocating funds from the Emergency Reserve, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds
- FY 2019-20 Emergency Reserve is \$35M

Emergency Procurements

- Procurement Services (OPS) used existing contracts to procure various goods and services, including equipment rentals, portable toilet rentals, glass replacement, and traffic signal parts and equipment
- OPS issued three additional emergency procurements as required by FEMA guidelines:
 - Collection and Hauling of Storm-related Debris
 - Debris Monitoring Services
 - Emergency Protective Measures
- Specifications outlined compliance requirements for federal, state and local laws, reimbursement guidelines, and insurance and bonding requirements
- OPS used Bonfire, the City's procurement portal, to issue notices to prospective vendors, including HUB contractors

Emergency Mutual Aid Agreements

- The City of Dallas is a member of the Public Works Emergency Response Team (PWERT) with other local agencies
- Under the PWERT mutual aid agreement, member agencies provide 36 hours of mutual aid at no cost
- Responding agencies that provide more than 36 hours of mutual aid will be reimbursed under individual agreements

Emergency Mutual Aid Agreements

- At this time, OEM anticipates agreements will be required for nine agencies:
 - City of Fort Worth
 - Town of Addison
 - City of Arlington
 - City of Allen
 - City of Colleyville
 - City of Grand Prairie
 - Town of University Park
 - City of Mesquite
 - City of Rowlett

Helping Affected Property Owners

- City may authorize DCAD to reappraise property damaged in disaster area (Texas Tax Code, Section 23.02)
- DCAD will complete reappraisal as soon as practicable (field work expected to be completed by end of December)
- DCAD will mail Special Appraisal Notices to affected property owners
 - Explain reappraisal process and protest procedures
 - Provide both pre-disaster value and post-disaster reappraisal value (only reappraisal value may be protested)

Helping Affected Property Owners

- DCAD will provide a supplement to the City's property tax values certified on July 25 for tax year 2019
- Taxes will be prorated for tax year 2019 using the two different values
- Dallas County Tax Office will issue corrected tax statements for those properties impacted by the tornado
- Property taxes become delinquent if not paid on or before January 31

Helping Affected Property Owners

- Although extensions are not allowed, property owners may contact the Tax Office regarding disaster installment payment agreements
- If an overpayment occurs, the Tax Office will automatically issue refunds without a request from the property owner
- FY 2019-20 budget impact from revenue loss is not yet known since reliable estimates are not yet available
- DCAD and Tax Office costs for reappraisal and reissuing tax bills will not increase cost to City

State Disaster Exception

- Post-tornado reappraisal values will impact all of tax year 2020, not a prorated part of the year as is the case for tax year 2019
- In FY 2020-21, City must consider cost of tornado, lost revenue, and need to replenish reserves
- Although 3.5% property tax revenue cap (SB2) becomes effective for FY 2020-21, state law provides an exception for areas that have experienced disaster
- City may request that the Tax Office calculate voter-approval tax rate (formerly the rollback tax rate) using 8% instead of 3.5% and automatic election will not be required

Proposed City Council Action

- Approve resolution determining an emergency and extraordinary need exists and establishing budget appropriation for spending (agenda item #7)
- Authorize DCAD to reappraise damaged property and authorize Tax Office to calculate the voter-approval rate according to disaster procedures in state law (agenda item #8)
- Authorize mutual aid agreement with the City of Fort Worth and other cities as the City Manager determines necessary (agenda item #9)
- Approve three emergency procurements (agenda items #10-12)

Next Steps

- FEMA and Texas Division of Emergency Management conducted Joint Preliminary Damage Assessment from 10/30 to 10/31
 - Conclusions to be announced
- Establish additional emergency mutual aid agreements and seek additional ratifications as necessary
- Seek FEMA/insurance reimbursements as necessary

How to Help

- Donations
 - [City of Dallas Emergency Relief Fund](#)
 - [Red Cross](#)
- Volunteer your time
 - Sign up for the Red Cross Action Team with [Voly](#)

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